

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input checked="" type="checkbox"/> Twp <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Unit Name Township of Grattan	County Kent
Fiscal Year End March 31, 2007	Opinion Date September 6, 2007	Date Audit Report Submitted to State October 1, 2007	

We affirm that:

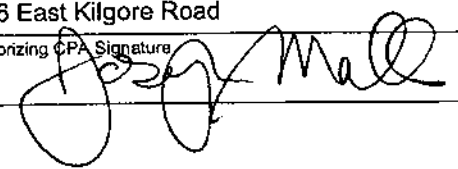
We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

- YES NO Check each applicable box below. (See instructions for further detail.)
- ☒ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
 - ☒ ☐ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
 - ☒ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
 - ☒ ☐ The local unit has adopted a budget for all required funds.
 - ☒ ☐ A public hearing on the budget was held in accordance with State statute.
 - ☒ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
 - ☒ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
 - ☒ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
 - ☒ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
 - ☒ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
 - ☒ ☐ The local unit is free of repeated comments from previous years.
 - ☒ ☐ The audit opinion is UNQUALIFIED.
 - ☒ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
 - ☒ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
 - ☒ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

We have enclosed the following:	Enclosed	Not Required (enter a brief justification)	
Financial Statements	<input checked="" type="checkbox"/>		
The letter of Comments and Recommendations	<input type="checkbox"/>	Not Required	
Other (Describe)	<input checked="" type="checkbox"/>	SAS 112 Letter	
Certified Public Accountant (Firm Name) Siegfried Crandall PC		Telephone Number (269)381-4970	
Street Address 246 East Kilgore Road		City Kalamazoo	State MI
Zip 49002			
Authorizing CPA Signature 		Printed Name Joseph M Walls	License Number 1101013696

Township of Grattan
Kent County, Michigan
**FINANCIAL STATEMENTS AND
INDEPENDENT AUDITORS' REPORT**
Year ended March 31, 2007

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INDEPENDENT AUDITORS' REPORT

**Board of Trustees
Township of Grattan, Michigan**

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund, and the aggregate remaining fund information of the Township of Grattan, Michigan, as of March 31, 2007, and for the year then ended, which collectively comprise the Township's basic financial statements, as listed in the contents. These financial statements are the responsibility of the Township's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Township of Grattan, Michigan, as of March 31, 2007, and the respective changes in financial position and where applicable, cash flows thereof for the year then ended in conformity with U.S. generally accepted accounting principles.

The budgetary comparison information, on pages 22 through 25, is a not required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it. The Township of Grattan, Michigan has not presented the management's discussion and analysis that the Governmental Accounting Standards Board has determined is necessary to supplement, although not required to be a part of, the financial statements.

Board of Trustees
Township of Grattan, Michigan
Page 2

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Township of Grattan, Michigan, basic financial statements. The supplementary information, as listed in the contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Sigfried Crandall P.C.

September 6, 2007

BASIC FINANCIAL STATEMENTS

Township of Grattan
STATEMENT OF NET ASSETS
 March 31, 2007

	<u>Governmental activities</u>	<u>Business-type activities</u>	<u>Totals</u>
ASSETS			
Current assets:			
Cash	\$ 689,695	\$ 179,539	\$ 869,234
Receivables, net	82,567	43,984	126,551
Prepaid expenses	12,856	5,251	18,107
Internal balances	<u>(22,950)</u>	<u>22,950</u>	<u>-</u>
Total current assets	<u>762,168</u>	<u>251,724</u>	<u>1,013,892</u>
Noncurrent assets:			
Receivables, net	-	150,649	150,649
Cash reserved for debt service	-	314,227	314,227
Capital assets, not being depreciated	37,337	-	37,337
Capital assets, net of accumulated depreciation	<u>1,581,184</u>	<u>5,813,387</u>	<u>7,394,571</u>
Total noncurrent assets	<u>1,618,521</u>	<u>6,278,263</u>	<u>7,896,784</u>
Total assets	<u>2,380,689</u>	<u>6,529,987</u>	<u>8,910,676</u>
LIABILITIES			
Current liabilities:			
Payables	62,974	49,457	112,431
Current portion of long-term obligations	<u>76,886</u>	<u>40,000</u>	<u>116,886</u>
Total current liabilities	139,860	89,457	229,317
Noncurrent liabilities - long-term obligations	<u>885,723</u>	<u>240,000</u>	<u>1,125,723</u>
Total liabilities	<u>1,025,583</u>	<u>329,457</u>	<u>1,355,040</u>
NET ASSETS			
Invested in capital assets, net of related debt	690,037	5,533,387	6,223,424
Restricted for:			
Public safety	328,610	-	328,610
Public works	102,898	-	102,898
Unrestricted	<u>233,561</u>	<u>667,143</u>	<u>900,704</u>
Total net assets	<u>\$ 1,355,106</u>	<u>\$ 6,200,530</u>	<u>\$ 7,555,636</u>

See notes to the financial statements

Township of Grattan
STATEMENT OF ACTIVITIES
Year ended March 31, 2007

Functions/Programs	<u>Expenses</u>	<u>Program revenues</u>		
		<u>Charges for services</u>	<u>Operating grants and contributions</u>	<u>Capital grants</u>
Governmental activities:				
Legislative	\$ 7,108	\$ -	\$ -	\$ -
General government	307,079	91,156	-	13,584
Public safety	225,573	56,687	-	-
Public works	125,744	86,144	5,557	-
Community and economic development	88,711	4,663	-	-
Culture and recreation	5,745	-	-	-
Interest on long-term debt	43,357	-	-	-
Total governmental activities	803,317	238,650	5,557	13,584
Business-type activities:				
Sewer	516,925	294,559	-	-
Total	<u>\$ 1,320,242</u>	<u>\$ 533,209</u>	<u>\$ 5,557</u>	<u>\$ 13,584</u>

General revenues:

Property taxes
Franchise fees
State grants
Investment income
Gain on sale of capital assets

Total general revenues

Change in net assets

Net assets - beginning

Net assets - ending

Net (expenses) revenues and changes in net assets

<i>Governmental activities</i>	<i>Business-type activities</i>	<i>Totals</i>
\$ (7,108)		\$ (7,108)
(202,339)		(202,339)
(168,886)		(168,886)
(34,043)		(34,043)
(84,048)		(84,048)
(5,745)		
(43,357)		(43,357)
(545,526)		(539,781)
-	\$ (222,366)	(222,366)
(545,526)	(222,366)	(767,892)
309,517	-	309,517
12,372	-	12,372
241,569	-	241,569
28,280	27,778	56,058
102,698	-	102,698
694,436	27,778	722,214
148,910	(194,588)	(45,678)
1,206,196	6,395,118	7,601,314
\$ 1,355,106	\$ 6,200,530	\$ 7,555,636

See notes to the financial statements

Township of Grattan
BALANCE SHEET - governmental funds
 March 31, 2007

	<u>General</u>	<u>Fire operations</u>	<u>Fire equipment</u>	<u>Nonmajor governmental funds</u>	<u>Total governmental funds</u>
ASSETS					
Cash	\$ 261,510	\$ 187,235	\$ 110,689	\$ 130,261	\$ 689,695
Receivables, net	58,563	11,495	5,747	6,762	82,567
Due from other funds	-	-	55,943	-	55,943
Total assets	<u>\$ 320,073</u>	<u>\$ 198,730</u>	<u>\$ 172,379</u>	<u>\$ 137,023</u>	<u>\$ 828,205</u>
LIABILITIES					
Payables	\$ 23,620	\$ 5,754	\$ -	\$ -	\$ 29,374
Due to other funds	22,950	55,943	-	-	78,893
Total liabilities	<u>46,570</u>	<u>61,697</u>	<u>-</u>	<u>-</u>	<u>108,267</u>
FUND BALANCES					
Reserved for inspections	19,198	-	-	-	19,198
Unreserved	254,305	137,033	172,379	-	563,717
Unreserved, reported in nonmajor - special revenue funds	-	-	-	137,023	137,023
Total fund balances	<u>273,503</u>	<u>137,033</u>	<u>172,379</u>	<u>137,023</u>	<u>719,938</u>
Total liabilities and fund balances	<u>\$ 320,073</u>	<u>\$ 198,730</u>	<u>\$ 172,379</u>	<u>\$ 137,023</u>	<u>\$ 828,205</u>
Total fund balances					\$ 719,938

Amounts reported for *governmental activities* in the statement of net assets (page 5) are different because:

Capital assets used in *governmental activities* are not financial and, therefore, are not reported in the funds. 1,618,521

Prepaid expenses are not a current financial resource and, therefore, are not reported in the fund financial statements. 12,856

Accrued interest on long-term debt is not a financial use and, therefore, is not reported in the fund financial statements (33,600)

Long-term liabilities, including bonds and notes payable, are not due and payable in the current period and, therefore, are not reported in the funds. (962,609)

Net assets of *governmental activities* (page 5) \$ 1,355,106

See notes to the financial statements

Township of Grattan

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCES - governmental funds**

Year ended March 31, 2007

	<u>General</u>	<u>Fire operations</u>	<u>Fire equipment</u>	<u>Nonmajor governmental funds</u>	<u>Total governmental funds</u>
REVENUES					
Taxes	\$ 155,247	\$ 136,516	\$ 68,262	\$ -	\$ 360,025
State grants	247,126	-	-	-	247,126
Licenses and permits	82,059	-	-	-	82,059
Charges for services	27,591	-	-	-	27,591
Interest and rentals	19,509	4,119	3,886	3,386	30,900
Other	11,828	48,799	56,716	86,144	203,487
	<u>543,360</u>	<u>189,434</u>	<u>128,864</u>	<u>89,530</u>	<u>951,188</u>
Total revenues					
EXPENDITURES					
Legislative	7,108	-	-	-	7,108
General government	295,187	-	-	-	295,187
Public safety	54,370	125,309	-	-	179,679
Public works	43,019	-	-	82,725	125,744
Community and economic development	88,711	-	-	-	88,711
Recreation and culture	5,025	-	-	-	5,025
Debt service:					
Principal	19,500	-	41,266	11,375	72,141
Interest	9,099	-	33,977	1,081	44,157
Capital outlay	5,481	32,452	202,279	-	240,212
	<u>527,500</u>	<u>157,761</u>	<u>277,522</u>	<u>95,181</u>	<u>1,057,964</u>
Total expenditures					
NET CHANGES IN FUND BALANCES	15,860	31,673	(148,658)	(5,651)	(106,776)
FUND BALANCES - BEGINNING	<u>257,643</u>	<u>105,360</u>	<u>321,037</u>	<u>142,674</u>	<u>826,714</u>
FUND BALANCES - ENDING	<u>\$ 273,503</u>	<u>\$ 137,033</u>	<u>\$ 172,379</u>	<u>\$ 137,023</u>	<u>\$ 719,938</u>

See notes to the financial statements

Township of Grattan

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND
BALANCES - governmental funds (Continued)**

Year ended March 31, 2007

Net change in fund balances - total governmental funds (page 8)	\$ (106,776)
Amounts reported for <i>governmental activities</i> in the statement of activities (page 6) are different because:	
Capital assets:	
Assets acquired (including \$13,584 in capital grants)	247,678
Provision for depreciation	(65,114)
Long-term debt - principal repayment	72,141
Net increase in prepaid expenses	181
Net decrease in accrued interest payable	<u>800</u>
Change in net assets of <i>governmental activities</i> (page 6)	<u>\$ 148,910</u>

See notes to the financial statements

Township of Grattan
STATEMENT OF NET ASSETS - *proprietary fund*
March 31, 2007

	<u>Sewer</u>
ASSETS	
Current assets:	
Cash	\$ 179,539
Receivables, net	43,984
Prepaid expenses	5,251
Due from other funds	<u>22,950</u>
Total current assets	<u>251,724</u>
Noncurrent assets:	
Receivables, net	150,649
Cash reserved for debt service	314,227
Capital assets, net of accumulated depreciation	<u>5,813,387</u>
Total noncurrent assets	<u>6,278,263</u>
Total assets	<u>6,529,987</u>
LIABILITIES	
Current liabilities:	
Payables	49,457
Current portion of long-term obligations	<u>40,000</u>
Total current liabilities	89,457
Noncurrent liabilities - long-term obligations	<u>240,000</u>
Total liabilities	<u>329,457</u>
NET ASSETS	
Investment in capital assets, net of related debt	5,533,387
Unrestricted	<u>667,143</u>
Total net assets	<u>\$ 6,200,530</u>

See notes to the financial statements

Township of Grattan
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN
NET ASSETS - *proprietary fund*
Year ended March 31, 2007

	<u>Sewer</u>
OPERATING REVENUES	
Charges for services	\$ 221,143
Permits, fees and other	<u>60,106</u>
Total operating revenues	<u>281,249</u>
OPERATING EXPENSES	
Personnel costs	7,792
Professional and contractual services	91,193
Operations and maintenance	201,759
Supplies	5,848
Insurance	8,004
Utilities and telephone	29,747
Depreciation	139,386
Administrative fees	<u>21,690</u>
Total operating expenses	<u>505,419</u>
Operating loss	<u>(224,170)</u>
NONOPERATING REVENUES (EXPENSES)	
Interest revenue	41,088
Interest expense	<u>(11,506)</u>
Total nonoperating revenues	<u>29,582</u>
CHANGE IN NET ASSETS	<u>(194,588)</u>
NET ASSETS - BEGINNING	<u>6,395,118</u>
NET ASSETS - ENDING	<u><u>\$ 6,200,530</u></u>

See notes to the financial statements

Township of Grattan
STATEMENT OF CASH FLOWS - proprietary funds
Year ended March 31, 2007

	<u>Sewer</u>
CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from customers	\$ 301,809
Payments to vendors and suppliers	(393,938)
Payments to employees	<u>(7,715)</u>
Net cash used in operating activities	<u>(99,844)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Principal collections on special assessments	55,084
Special assessments interest	13,310
Acquisition of capital assets	(63,537)
Principal payments on long-term debt	(40,000)
Interest payments on long-term debt	<u>(12,956)</u>
Net cash used in capital and related financing activities	<u>(48,099)</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest received	<u>27,778</u>
NET DECREASE IN CASH	(120,165)
CASH - BEGINNING	<u>613,931</u>
CASH - ENDING	<u>\$ 493,766</u>
Reconciliation of operating loss to net cash used in operating activities:	
Operating loss	\$ (224,170)
Adjustments to reconcile operating loss to net cash used in operating activities:	
Depreciation	139,386
Decrease in receivables	24,363
Increase in prepaid expense	(74)
Decrease in payables	<u>(39,349)</u>
Net cash used in operating activities	<u>\$ (99,844)</u>
Supplemental information:	
Acquisition of capital assets	\$ (67,984)
Increase in accounts payable	<u>4,447</u>
Cash used	<u>\$ (63,537)</u>

See notes to the financial statements

Township of Grattan
NOTES TO FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

The accounting policies of the Township of Grattan, Michigan (the Township), conform to U.S. generally accepted accounting principles (hereinafter referred to as generally accepted accounting principles) as applicable to governments. The following is a summary of the more significant policies.

a) Reporting entity:

The accompanying financial statements present only the Township. There are no component units, entities for which the Township is considered to be financially accountable.

b) Government-wide and fund financial statements:

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the non-fiduciary activities of the Township. The effect of inter-fund activity has been removed from these statements. Governmental activities, normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include: (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

c) Measurement focus, basis of accounting, and financial statement presentation:

The government-wide financial statements are reported using the economic resources, measurement focus, and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenues as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources, measurement focus, and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available if they are collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Township generally considers property tax revenues to be available if they are expected to be collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due.

Township of Grattan
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

c) Measurement focus, basis of accounting, and financial statement presentation (continued):

State grants, licenses and permits, charges for services, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable only when cash is received by the government.

The Township reports the following major governmental funds:

The General Fund is the government's primary operating fund. It accounts for all financial resources of the Township, except those required to be accounted for in another fund. Revenues are primarily derived from property taxes and state shared revenue.

The Fire Operations Fund accounts for the financial resources used for the operational costs of the Township's fire department. Revenues are primarily derived from special assessments.

The Fire Equipment Fund accounts for the financial resources used for the major equipment and capital costs of the Township's fire department. Revenues are primarily derived from special assessments.

The Township reports the following major proprietary fund:

The Sewer Fund accounts for the activities of the Township's sewage collection systems.

Private-sector standards of accounting issued prior to December 1, 1989, are generally followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with the standards of the Governmental Accounting Standards Board (GASB). Governments also have the option of following subsequent private sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The Township has elected not to follow subsequent private-sector standards.

Amounts reported as program revenues include: (1) charges to customers or applicants for goods, services, or privileges provided; (2) operating grants and contributions; and (3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the proprietary funds relate to charges to customers for sales and services. Operating expenses for proprietary funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

The Township reports a single fiduciary fund, its Agency Fund, which accounts for assets held by the Township in a trustee capacity or as an agent for individuals, private organizations, other governments, and/or other funds. Agency Funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

Township of Grattan
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

c) *Measurement focus, basis of accounting, and financial statement presentation* (continued):

When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first, then unrestricted resources as they are needed.

d) *Assets, liabilities, and net assets or equity:*

i) Bank deposits - Cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

ii) Receivables - In general, outstanding balances between funds are reported as "due to/from other funds." Any residual balances outstanding between the governmental activities and the business-type activities are reported in the government-wide financial statements as "internal balances." No allowance for uncollectible accounts has been recorded as the Township considers all receivables to be fully collectible.

iii) Prepaid items - Certain payments to vendors reflect costs applicable to future fiscal years and are recorded as prepaid items in both government-wide and fund financial statements.

iv) Capital assets - Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets other than infrastructure are defined by the government as assets with an initial individual cost of more than \$2,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. Governments can elect to account for infrastructure assets either retroactively to June 15, 1980, or prospectively. The Township has elected to account for infrastructure assets prospectively, beginning January 1, 2004.

Capital assets are depreciated using the straight-line method over the following useful lives:

Land improvements	15 - 30 years
Buildings and improvements	15 - 60 years
Equipment	3 - 5 years
Infrastructure	10 - 75 years

v) Fund equity - In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

vi) Property tax revenue recognition - Property taxes are levied as of December 1 on property values assessed as of December 31 of the prior year. The billings are due on or before February 14, after which time the bill becomes delinquent and penalties and interest may be assessed by the Township. Property tax revenue is recognized in the year for which taxes have been levied and become available. The Township considers property taxes levied December 1 to be revenues of the current period.

Township of Grattan
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 2 - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY:

Budgetary information - Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all governmental funds. The budget document presents information by fund, function, and department. The legal level of budgetary control adopted by the governing body is the function level. All annual appropriations lapse at the end of the fiscal year.

The following schedule sets forth significant budget variations:

<u>Fund</u>	<u>Function</u>	<u>Amended budget</u>	<u>Actual</u>	<u>Variance</u>
General	Public safety	\$ 40,548	\$ 54,370	\$ 13,822
Fire Operating	Capital outlay	22,000	32,452	10,452
Crooked Lake	Public works	16,197	26,550	10,353

NOTE 3 - CASH:

At March 31, 2007, the Township's cash is as follows:

	<u>Governmental activities</u>	<u>Business-type activity</u>	<u>Total</u>
Cash	\$ 689,695	\$ 179,539	\$ 869,234
Cash reserved for debt service	-	314,227	314,227
Total	<u>\$ 689,695</u>	<u>\$ 493,766</u>	<u>\$ 1,183,461</u>

State statutes and the Township's investment policy authorize the Township to make deposits in the accounts of federally-insured banks, credit unions, and savings and loan associations. The Township's deposits are in accordance with statutory authority.

Custodial credit risk is the risk that, in the event of the failure of a financial institution, the Township will not be able to recover its deposits. Deposits are exposed to custodial credit risk if they are not covered by federal depository insurance and are uncollateralized. At March 31, 2007, \$1,090,541 of the Township's bank balances of \$1,183,460 was exposed to custodial credit risk because it was uninsured and uncollateralized.

The Township believes that it is impractical to insure all bank deposits due to the amounts of the deposits and the limits of FDIC insurance. As a result, the Township evaluates each financial institution with which it deposits funds and assesses the risk level of each institution. Only the institutions with an acceptable estimated risk level are used as depositories.

Township of Grattan
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 4 - RECEIVABLES:

Receivables, as of year end, for the government's individual major and nonmajor funds, in the aggregate, are as follows:

<u>Fund</u>	<u>Accounts</u>	<u>Property taxes</u>	<u>Special assessments</u>	<u>Inter- governmental</u>	<u>Totals</u>
Governmental funds:					
General	\$ 6,884	\$ 12,018	\$ -	\$ 39,661	\$ 58,563
Fire Operations	-	11,495	-	-	11,495
Fire Equipment	-	5,747	-	-	5,747
Nonmajor funds	-	-	6,762	-	6,762
Totals	<u>\$ 6,884</u>	<u>\$ 29,260</u>	<u>\$ 6,762</u>	<u>\$ 39,661</u>	<u>\$ 82,567</u>
Proprietary fund:					
Sewer	<u>\$ 12,740</u>	<u>\$ -</u>	<u>\$ 181,893</u>	<u>\$ -</u>	<u>\$ 194,633</u>
Noncurrent portion	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 150,649</u>	<u>\$ -</u>	<u>\$ 150,649</u>

All receivables are considered fully collectible.

NOTE 5 - CAPITAL ASSETS:

Capital asset activity for the year ended March 31, 2007, was as follows:

	<u>Beginning balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending balance</u>
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 37,337	\$ -	\$ -	\$ 37,337
Construction in progress	686,846	-	686,846	-
Subtotal	<u>724,183</u>	<u>-</u>	<u>686,846</u>	<u>37,337</u>
Capital assets being depreciated:				
Buildings and improvements	464,500	912,293	29,500	1,347,293
Equipment	89,612	22,231	-	111,843
Vehicles	507,500	-	-	507,500
Subtotal	<u>1,061,612</u>	<u>934,524</u>	<u>29,500</u>	<u>1,966,636</u>
Less accumulated depreciation for:				
Buildings and improvements	(152,163)	(32,287)	(29,500)	(154,950)
Equipment	(31,750)	(7,452)	-	(39,202)
Vehicles	(165,925)	(25,375)	-	(191,300)
Subtotal	<u>(349,838)</u>	<u>(65,114)</u>	<u>(29,500)</u>	<u>(385,452)</u>

Township of Grattan
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 5 - CAPITAL ASSETS (Continued):

	<u>Beginning balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending balance</u>
Total capital assets being depreciated, net	\$ 711,774	\$ 869,410	\$ -	\$ 1,581,184
Governmental activities capital assets, net	\$ 1,435,957	\$ 869,410	\$ 686,846	\$ 1,618,521
Business type activity:				
Sewer system and improvements	\$ 8,939,800	\$ 63,997	\$ -	\$ 9,003,797
Equipment	6,897	3,987	-	10,884
Subtotal	8,946,697	67,984	-	9,014,681
Less accumulated depreciation for:				
Sewer system and improvements	(3,058,671)	(138,086)	-	(3,196,757)
Equipment	(3,237)	(1,300)	-	(4,537)
Subtotal	(3,061,908)	(139,386)	-	(3,201,294)
Business type activity capital assets, net	\$ 5,884,789	\$ (71,402)	\$ -	\$ 5,813,387

Depreciation expense was charged to governmental functions of the Township as follows:

	<u>Governmental activities</u>
General government	\$ 16,254
Public safety	48,140
Culture and recreation	720
Total	\$ 65,114

NOTE 6 - INTERFUND RECEIVABLES AND PAYABLES:

At March 31, 2007, the composition of interfund balances was as follows:

<u>Fund</u>	<u>Receivable</u>	<u>Fund</u>	<u>Payable</u>
Sewer	\$ 22,950	General	\$ 22,950
Fire equipment	55,943	Fire operating	55,943
	\$ 78,893		\$ 78,893

The interfund balances represent temporary loans between the respective funds.

Township of Grattan
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 7 - LONG-TERM OBLIGATIONS:

At March 31, 2007, long-term liabilities are comprised of the following individual issues:

Governmental activities:

Installment purchase agreement - bank, limited tax general obligation, annual installments of \$75,243, including interest at 4.20%; final payment due June 1, 2020	\$ 783,734
Lake improvement bond - bank, issued in anticipation of the collection of special assessments, annual installments of \$11,375, plus interest at 4.54%; final payment due June 1, 2009	34,125
Note payable - bank, site improvements loan, dated April 1, 1998, annual installments of \$9,000 to \$17,000, plus interest at 5.45%; final payment due	60,000
Note payable - bank, office construction loan, dated November 1, 1997, annual installments of \$8,250 to \$17,000, plus interest at 5.49%; final payment due July 2012	<u>84,750</u>
Total governmental activities long-term obligations	962,609

Business-type activity:

Note payable - bank, sewer improvement loan, dated April 28, 2003, annual installment of \$40,000, plus interest at 4.0%, final payment due May 2014	<u>280,000</u>
Total long-term obligations	<u>\$ 1,242,609</u>

Long-term obligation activity for the year ended March 31, 2007, was as follows:

	<u>Beginning balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending balance</u>	<u>Amounts due within one year</u>
Governmental activities:					
Notes payable	\$ 989,250	\$ -	\$ 60,767	\$ 928,483	\$ 65,511
Bonds payable	<u>45,500</u>	<u>-</u>	<u>11,375</u>	<u>34,125</u>	<u>11,375</u>
Total governmental activities	1,034,750	-	72,141	962,608	76,886
Business-type activity:					
Note payable	<u>320,000</u>	<u>-</u>	<u>40,000</u>	<u>280,000</u>	<u>40,000</u>
Total long-term obligations	<u>\$ 1,354,750</u>	<u>\$ -</u>	<u>\$ 112,141</u>	<u>\$ 1,242,608</u>	<u>\$ 116,886</u>

Township of Grattan
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 7 - LONG-TERM DEBT (Continued):

At March 31, 2007, debt service requirements are follows:

<u>Year ended</u> <u>March 31,</u>	<u>Governmental activities</u>		<u>Business-type activity</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2008	\$ 76,886	\$ 42,389	\$ 40,000	\$ 11,312
2009	78,661	38,825	40,000	9,882
2010	80,511	35,186	40,000	8,393
2011	72,813	31,470	40,000	6,845
2012	74,821	28,094	40,000	5,234
2013 - 2020	<u>578,917</u>	<u>124,057</u>	<u>80,000</u>	<u>5,372</u>
Totals	<u>\$ 962,609</u>	<u>\$ 300,021</u>	<u>\$ 280,000</u>	<u>\$ 47,038</u>

NOTE 8 - PAYABLES:

Payables as of year end, for the government's individual major funds, in the aggregate, are as follows:

<u>Fund</u>	<u>Accounts</u>	<u>Accrued liabilities</u>	<u>Totals</u>
Governmental funds:			
General	\$ 12,847	\$ 10,773	\$ 23,620
Fire Operations	<u>2,617</u>	<u>3,137</u>	<u>5,754</u>
Total	<u>\$ 15,464</u>	<u>\$ 13,910</u>	<u>\$ 29,374</u>
Proprietary fund:			
Sewer	<u>\$ 39,290</u>	<u>\$ 10,167</u>	<u>\$ 49,457</u>

NOTE 9 - DEFINED CONTRIBUTION AND MONEY PURCHASE PLAN:

The Township maintains two defined contribution pension plans. In a defined contribution plan, benefits depend solely on amounts contributed to the plan, plus investment earnings. Michigan state statute assigns the authority to establish and amend benefit provisions to the Township Board of Trustees. Employees are eligible to participate from the date of employment. Elected officials and the fire chief are covered under one plan. The Township's appointed officials and employees, including volunteer firemen, are included under a second plan. The Township contributes 10% of covered salaries for both plans. The Township's contributions are fully vested immediately. The Township is not a trustee of the plans, nor is the Township responsible for investment management of plan assets.

The Township made required contributions of \$22,554 during the year ended March 31, 2007.

NOTE 9 - RISK MANAGEMENT:

The Township is exposed to various risks of loss related to property loss, torts, errors and omissions, and employee injuries (workers' compensation). The risks of loss arising from general liability up to \$4,000,000, property and casualty, and workers' compensation are managed through purchased commercial insurance.

NOTE 10 - CONSTRUCTION CODE ACT:

A summary of construction code enforcement transactions for the year ended March 31, 2007, is as follows:

Revenues	\$ 56,687
Expenses	<u>51,897</u>
Excess of revenues over expenses	<u>\$ 4,790</u>

The cumulative excess of construction code fees over expenditures is \$19,198 at March 31, 2007.

REQUIRED SUPPLEMENTARY INFORMATION

Township of Grattan**BUDGETARY COMPARISON SCHEDULE - General Fund**

Year ended March 31, 2007

	<u>Original budget</u>	<u>Amended budget</u>	<u>Actual</u>	<u>Variance favorable (unfavorable)</u>
REVENUES:				
Taxes	\$ 153,000	\$ 153,000	\$ 155,247	\$ 2,247
Licenses and permits	63,471	63,471	82,059	18,588
State grants	246,000	246,000	247,126	1,126
Charges for services	29,616	29,616	27,591	(2,025)
Interest and rentals	6,850	6,850	19,509	12,659
Other	<u>14,000</u>	<u>14,000</u>	<u>11,828</u>	<u>(2,172)</u>
Total revenues	<u>512,937</u>	<u>512,937</u>	<u>543,360</u>	<u>30,423</u>
EXPENDITURES:				
Legislative - Township Board	<u>7,102</u>	<u>7,102</u>	<u>7,108</u>	<u>(6)</u>
General government:				
Supervisor	18,954	18,954	18,143	811
Elections	8,882	8,882	7,979	903
Assessor	29,426	29,426	25,376	4,050
Clerk	32,678	32,678	38,267	(5,589)
Board of Review	792	792	1,203	(411)
Treasurer	38,574	38,574	33,966	4,608
Building and grounds	13,500	13,500	10,860	2,640
Cemetery	5,402	5,402	7,672	(2,270)
General administration	79,205	79,205	72,449	6,756
Professional services	108,450	108,450	53,415	55,035
Other	<u>23,099</u>	<u>23,099</u>	<u>25,857</u>	<u>(2,758)</u>
Total general government	<u>358,962</u>	<u>358,962</u>	<u>295,187</u>	<u>63,775</u>
Public safety:				
Building inspections	37,521	37,521	51,897	(14,376)
Safety board	377	377	-	377
Fire board	<u>2,650</u>	<u>2,650</u>	<u>2,473</u>	<u>177</u>
Total public safety	<u>40,548</u>	<u>40,548</u>	<u>54,370</u>	<u>(13,822)</u>

Township of Grattan**BUDGETARY COMPARISON SCHEDULE - General Fund (Continued)**

Year ended March 31, 2007

	<u>Original budget</u>	<u>Amended budget</u>	<u>Actual</u>	<u>Variance favorable (unfavorable)</u>
EXPENDITURES (Continued):				
Public works - streets and bridges	\$ 52,249	\$ 52,249	\$ 43,019	\$ 9,230
Community and economic development:				
Planning and zoning	52,225	52,225	50,904	1,321
Farmland preservation	37,807	37,807	37,807	-
Total community and economic development	90,032	90,032	88,711	1,321
Recreation and culture:				
Museum	2,000	2,000	1,292	708
Parks and recreation	10,193	10,193	3,733	6,460
Total recreation and culture	12,193	12,193	5,025	7,168
Debt service:				
Principal	19,500	19,500	19,500	-
Interest	9,099	9,099	9,099	-
Capital outlay	3,610	3,610	5,481	(1,871)
Total expenditures	593,295	593,295	527,500	65,795
NET CHANGES IN FUND BALANCES	(80,358)	(80,358)	15,860	96,218
FUND BALANCES - BEGINNING	257,643	257,643	257,643	-
FUND BALANCES - ENDING	\$ 177,285	\$ 177,285	\$ 273,503	\$ 96,218

Township of Grattan

BUDGETARY COMPARISON SCHEDULE - Fire Operations Fund

Year ended March 31, 2007

	<u>Original budget</u>	<u>Amended budget</u>	<u>Actual</u>	<u>Variance favorable (unfavorable)</u>
REVENUES:				
Taxes	\$ 136,349	\$ 136,349	\$ 136,516	\$ 167
Interest	1,000	1,000	4,119	3,119
Other	100,000	100,000	48,799	(51,201)
Total revenues	<u>237,349</u>	<u>237,349</u>	<u>189,434</u>	<u>(47,915)</u>
EXPENDITURES:				
Public safety:				
Salaries	62,425	62,425	45,128	17,297
Payroll taxes	905	905	748	157
Education and training	4,000	4,000	8,977	(4,977)
County fire assessment	8,000	8,000	8,826	(826)
Contracted services	3,600	3,600	4,302	(702)
Insurance	11,216	11,216	12,155	(939)
Pension contribution	5,137	5,137	5,088	49
Repairs and maintenance	19,000	19,000	12,469	6,531
Building and grounds	-	-	2,332	(2,332)
Supplies	10,550	10,550	10,339	211
Telephone	1,500	1,500	1,777	(277)
Utilities	7,000	7,000	9,113	(2,113)
Other	7,000	7,000	4,055	2,945
Total public safety	<u>140,333</u>	<u>140,333</u>	<u>125,309</u>	<u>15,024</u>
Capital outlay	<u>22,000</u>	<u>22,000</u>	<u>32,452</u>	<u>(10,452)</u>
Total expenditures	<u>162,333</u>	<u>162,333</u>	<u>157,761</u>	<u>4,572</u>
NET CHANGES IN FUND BALANCES	<u>75,016</u>	<u>75,016</u>	<u>31,673</u>	<u>(43,343)</u>
FUND BALANCES - BEGINNING	<u>105,360</u>	<u>105,360</u>	<u>105,360</u>	<u>-</u>
FUND BALANCES - ENDING	<u>\$ 180,376</u>	<u>\$ 180,376</u>	<u>\$ 137,033</u>	<u>\$ (43,343)</u>

Township of Grattan
BUDGETARY COMPARISON - Fire Equipment Fund
Year ended March 31, 2007

	<u>Original budget</u>	<u>Amended budget</u>	<u>Actual</u>	<u>Variance favorable (unfavorable)</u>
REVENUES:				
Taxes	\$ 66,754	\$ 66,754	\$ 68,262	\$ 1,508
Interest	2,000	2,000	3,886	1,886
Other	-	-	56,716	56,716
Total revenues	<u>68,754</u>	<u>68,754</u>	<u>128,864</u>	<u>60,110</u>
EXPENDITURES:				
Debt service:				
Principal	41,266	41,266	41,266	-
Interest	33,977	33,977	33,977	-
Capital outlay	<u>280,000</u>	<u>280,000</u>	<u>202,279</u>	<u>77,721</u>
Total expenditures	<u>355,243</u>	<u>355,243</u>	<u>277,522</u>	<u>77,721</u>
NET CHANGES IN FUND BALANCES	(286,489)	(286,489)	(148,658)	(17,611)
FUND BALANCES - BEGINNING	<u>321,037</u>	<u>321,037</u>	<u>321,037</u>	<u>-</u>
FUND BALANCES - ENDING	<u>\$ 34,548</u>	<u>\$ 34,548</u>	<u>\$ 172,379</u>	<u>\$ (17,611)</u>

SUPPLEMENTARY INFORMATION

Township of Grattan**COMBINING BALANCE SHEET - nonmajor governmental funds**March 31, 2007

	<i>Big Pine Island Lake</i>	<i>Crooked Lake</i>	<i>Cowan Lake</i>	<i>Round Lake</i>	<i>Totals</i>
ASSETS					
Cash	\$ 48,824	\$ 47,944	\$ 16,843	\$ 16,650	\$ 130,261
Receivables, net	<u>4,039</u>	<u>1,650</u>	<u>663</u>	<u>410</u>	<u>6,762</u>
Total assets	<u>\$ 52,863</u>	<u>\$ 49,594</u>	<u>\$ 17,506</u>	<u>\$ 17,060</u>	<u>\$ 137,023</u>
FUND BALANCES					
Unreserved - undesignated	<u>\$ 52,863</u>	<u>\$ 49,594</u>	<u>\$ 17,506</u>	<u>\$ 17,060</u>	<u>\$ 137,023</u>

Township of Grattan**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - nonmajor governmental funds**

Year ended March 31, 2007

	<i>Big Pine Island Lake</i>	<i>Crooked Lake</i>	<i>Cowan Lake</i>	<i>Round Lake</i>	<i>Totals</i>
REVENUES					
Interest	\$ 1,345	\$ 1,624	\$ 152	\$ 265	\$ 3,386
Other	<u>31,766</u>	<u>18,452</u>	<u>27,316</u>	<u>8,610</u>	<u>86,144</u>
Total revenues	<u>33,111</u>	<u>20,076</u>	<u>27,468</u>	<u>8,875</u>	<u>89,530</u>
EXPENDITURES					
Public works	38,774	26,550	13,307	4,094	82,725
Debt service:					
Principal	-	-	11,375	-	11,375
Interest	<u>-</u>	<u>-</u>	<u>1,081</u>	<u>-</u>	<u>1,081</u>
Total expenditures	<u>38,774</u>	<u>26,550</u>	<u>25,763</u>	<u>4,094</u>	<u>95,181</u>
NET CHANGE IN FUND BALANCES	(5,663)	(6,474)	1,705	4,781	(5,651)
FUND BALANCES - BEGINNING	<u>58,526</u>	<u>56,068</u>	<u>15,801</u>	<u>12,279</u>	<u>142,674</u>
FUND BALANCES - ENDING	<u>\$ 52,863</u>	<u>\$ 49,594</u>	<u>\$ 17,506</u>	<u>\$ 17,060</u>	<u>\$ 137,023</u>

**Members of the Township Board
Township of Grattan, Michigan**

In planning and performing our audit of the financial statements of the Township of Grattan as of and for the year ended March 31, 2007, in accordance with auditing standards generally accepted in the United States of America, we considered the Township of Grattan's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Township's internal control. Our consideration of internal control included procedures to evaluate the design of controls relevant to an audit of financial statements and to determine whether they have been implemented, but it did not include procedures to test the operating effectiveness of controls, and accordingly, was not directed to discovering significant deficiencies in internal control. Accordingly, we do not express an opinion on the effectiveness of the Township's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, as discussed below, we identified a deficiency in internal control that we consider to be a material weakness.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control. We believe that the following deficiency constitutes a material weakness.

The Township does not have procedures in place to prepare financial statements in accordance with U.S. generally accepted accounting principles, including procedures to record revenue and expenditure accruals, and changes in capital assets, and to present required financial statement disclosures.

This communication is intended solely for the information and use of the Board of Trustees of the Township of Grattan and the State of Michigan Department of Treasury and is not intended to be and should not be used by anyone other than these specified parties.

Siegfried Crandall P.C.

September 6, 2007